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I. INTRODUCTION / BACKGROUND:

The State of Nevada, through the Department of Conservation and Natural Resources, Nevada Division of Environmental Protection (NDEP), is pleased to present the Annual Report on the Clean Water State Revolving Fund (CWSRF) for State Fiscal Year (SFY) 2006 (July 1, 2005 through June 30, 2006). This report describes Nevada's efforts to meet the goals and objectives of its Clean Water State Revolving loan program for fiscal year 2006 as identified in the Intended Use Plan (IUP).

The Federal Water Quality Act (the Clean Water Act amendments) of 1987 ended the construction grants program in 1990 and instead provided federal assistance for transition into a low interest loan program aimed at funding public wastewater projects. The legislation also included a condition that each state must provide 20 percent match to the federal assistance, which also provided more total funds available for loans. Nevada received the first federal assistance for the newly created loan program in the form of a Capitalization Grant awarded on September 29, 1989. After the creation of State statutes and regulations in 1991, Nevada's Clean Water State Revolving Fund (CWSRF) program began. Nevada then issued a bond to provide the 20 percent state match for both the 1989 and 1990 grants and awarded its first loan to the City of Mesquite in September of 1991.

In order to increase available funding for the CWSRF loan program, Nevada also issued its first leveraged bond in 1995, and has since provided approximately \$104 million in leveraged funds to enhance Nevada's ability to fulfill more loan needs. The combination of federal grants, state match, leveraged funds, and principal and interest paid on existing loans has given Nevada the ability to obligate approximately \$240 million into loans since the inception of the CWSRF program in 1991 through FY2006.

Nevada's CWSRF program provides low interest loans to local government entities or other publicly owned facilities for a wide range of wastewater projects. Only projects included on the CWSRF Project Priority List can apply for a loan (see Attachment 1 for FY2006 Project Priority List). Prior to the beginning of each funding period, NDEP conducts a survey of proposed wastewater treatment projects within the state. All eligible loan applicants with a project needing potential funding from the CWSRF must complete a form to provide a description, justification, estimated cost, and implementation schedule of the project. NDEP then reviews each project form received for classification, ranking, and placement onto the Nevada's Project Priority List based on numerous factors including threat to public health and the environment, need due to population growth, etc.

An entity ready to secure a loan from the fund then submits an application. Providing the requesting entity and project are ranked high enough on the finalized Priority List, and the CWSRF has the funds available, the loan binding commitment process begins. At the time of each loan contract, the Nevada program determines the interest rate for each loan at 62.5% of the current Bond Buyer's Index. The average interest rate in FY2006 was a low 2.97%, making the CWSRF program an excellent choice for project funding.

II. GOALS AND ACCOMPLISHMENTS:

The following long-term and short-term goals and accomplishments are identified in the FY2006 Intended Use Plan (IUP). The staff of the CWSRF program continually strives to reach and maintain each goal of the IUP. Throughout the next few years, program staff will evaluate each goal and amend, change, or delete it, and add new goals as appropriate due to changes that have occurred since the start of the program in 1991.

A. LONG-TERM GOALS

Long-Term Goal 1: Maintain compliance with water quality goals and protect the public health by providing financial assistance for the construction of publicly owned wastewater treatment works, non point source control projects, and other projects which may be eligible.

Progress toward Goal 1:

Projects funded from the SRF help eliminate discharges to waters of the state and provide capacity to serve the communities' growing populations. Nevada's CWSRF program funded five projects this year to help attain this goal:

- The City of Reno received a loan for \$8,122,272 to fund a septic-to-sewer project. Many septic tanks near the Truckee River in Verdi pose a potential public health and environmental threat to that area.
- Lyon County received a loan for \$15,980,733 to fund an expansion of rolling a wastewater treatment plant and construction of effluent storage in reuse infrastructure.
- The City of Sparks received a loan for \$5,862,359 to fund a project interceptor required to pick up additional flows to TMWRF. This project will prevent surcharging where raw sewage could come up out of manholes and create a public health hazard.
- The Incline Village General Improvement District (IVGID) received a loan for \$3,000,000 to fund an effluent line replacement segment 3 along HWY 28 from Spooner Meadow to the summit and a section near the Carson River.
- The Douglas County Sewer Interceptor received a loan for \$2,000,000 to fund a project. Presently secondary treated effluent is stored in an unlined reservoir within the Lake Tahoe Basin, prior to pumping over to Carson Valley in Douglas County for agricultural irrigation. NDEP is concerned that excessive reservoir leakage has or may impact Lake Tahoe water quality. Therefore, Douglas County has been directed by NDEP to line the reservoir in accordance with the state standards for a storage pond.

Long-Term Goal 2: Provide the best available financial assistance to municipalities and interstate agencies through the management of the SRF.

Progress toward Goal 2:

The state's financial advisor and bond counsel assist NDEP staff and local governments in the administration of the SRF program and is responsible for the sale of State Matching Bonds. The Nevada State Treasurer is responsible for managing the SRF monies and for making payments and receiving loan repayments.

Five loans were generated in 2006 out of 27 possible projects eligible for funding in 2006. Most of the projects expected to be resubmitted in fiscal year 2006. While timing issues and readiness factors continue to dictate actual loans made, the value of projects on the priority list continues to top \$340 million.

Long-Term Goal 3: Ensure technical integrity of the SRF program through adequate and effective planning, engineering reviews and compliance inspection.

Progress toward Goal 3:

The Bureau of Water Pollution Control provides technical support to the Office of Financial Assistance. Other disciplines (chemists, geologists, hydrologists) are available within the Bureau and Division to provide assistance as necessary.

Although the Bureau of Water Pollution Control has fifteen engineers, only one (1) is dedicated part-time to the CWSRF for a total of approximately .5 FTE. During fiscal year 2006, he performed the following compliance inspections:

City of Fallon	NV0020061	May 22, 2006	No Compliance Items
City of Elko	NEV20014	July 31, 2006	No Compliance Items
City of Lovelock	NV203011	May 10, 2005	No Compliance Items
Truckee Meadows	NV0020150	May 6, 2006	No Compliance Items
City of Reno-Stead	NV0020168	April 5, 2006	No Compliance Items
Silver Springs GID	NEV99012	February 18, 2005	No Compliance Items
City of Henderson	NV002098	November 30, 2005	No Compliance Items
Lyon Co (Rolling A)	NEV2000500	December 6, 2005	No Compliance Items

Long-Term Goal 4: Ensure proper accounting, audit and fiscal procedures.

Progress toward Goal 4:

NDEP has an accounting system that performs accounting tasks for the CWSRF at NDEP and has previously administered the fiscal aspects of the program. However, most accounting functions are performed by the accountant who serves both the Clean Water SRF and the Drinking Water SRF.

The Nevada State Treasurer's staff is well qualified to administer and manage the SRF funds and accounts, specifically cash transactions, bond sales, and loan repayments. The Nevada State's Financial Advisor prepares a comprehensive annual overview of the program, prepares loan repayment schedules, analyzes the

funds capability to provide loans, provides sub-recipient monitoring, and provides other financial services as requested.

The accountant and the management analyst work in tandem to prepare financial statements and reports to assist in funding scenarios and advise the program manager on fiscal and accounting issues.

Long-Term Goal 5: Maintain an adequate data management system.

Progress toward Goal 5:

NDEP's accounting section, the Bureau of Administrative Services, and the State Treasurer's office have established data management systems for the SRF loan program.

All program data is administered within the Office of Financial Assistance and divided between the Office of Finance and Personnel Management and the CWSRF Management Analyst. The accounting section and the Bureau of Water Pollution Control has been managed using the CWSRF Project Manager Database. This database tracks most program and financial data related to the loan fund and aids in the submission of the National Information Management System (NIMS) report.

Long-Term Goal 6: Administer the CWSRF so that its revolving nature is assured in perpetuity.

Progress toward Goal 6:

All loans are backed by the full faith and credit of the loan recipient. To date all loan repayments over the history of the program have been made on schedule.

The Nevada State Treasurer, in accordance with limitations imposed by state law, invests balances of the CWSRF.

It may not be possible to maintain the purchasing power of the CWSRF at some fixed level. The purchasing power of the CWSRF will fluctuate based on the rate of inflation and other factors affecting interest rates.

The primary function of the CWSRF is to provide loans at attractive rates of interest, in order to encourage municipalities to fund improvements to their wastewater treatment and disposal facilities and non-point source projects.

The purchasing power of the CWSRF, although an important consideration, should be considered secondary to maintaining a flow of money to municipalities.

The average loan interest rate for FY2006 was 2.96%. Nevada's CWSRF program calculates the interest rate at the time the loan contract is signed using 62.5% of the 20 year Municipal Bond Index rate. Therefore, as market rates

increase, loan rates increase; as market rates decrease, loan rates decrease accordingly. In order to determine the best mechanism to set loan rates, the financial advisor and staff will be reviewing the process currently used and explore how other states set rates. The current rate structure however, does appear to provide low rates while allowing the fund to grow sufficiently and insure its lending capacity is maintained.

The following table indicates the loans issued the interest rate for each loan, and a comparison of Nevada's average rate with the average market rate. A more detailed table indicating the total savings to all CWSRF borrowers over the life of each 20-year loan is located in Attachment 6.

Loan Recipient	Loan #	Interest Rate
City of Reno	CS32-0112	2.6500%
Lyon County	CS32-0503	2.9313%
City of Sparks	CS32-0408	2.6600%
Incline Village General Improvement District	CS32-0404	2.7250%
Douglas County Sewer Interceptor	CS32-0502	3.2375%
Average Nevada CWSRF Interest Rate		2.8407%
Average Market Rate		4.5480%
Average Interest Savings for Loan Recipients		1.7073%

B. SHORT-TERM GOALS

The following short-term goals were included in the FY 2006 Intended Use Plan.

Short-Term Goal 1: *To provide loans in accordance with schedules contained in the priority list and procedures contained in the priority system.*

Progress toward Goal 1:

Although there were 27 projects on the priority list, only the City of Reno, Lyon County, Incline Village, Douglas County and the City of Sparks were ready to proceed during FY 2006. Many projects were still in the design and facility planning stages. Entities apply for the priority list even though they might not be ready to ensure that they will not lose funds should they find that they are able to accelerate their timetable and take the money during the fiscal year. Attachment 2 indicates projects included on the Priority List in FY 2006 but not funded.

Short-Term Goal 2: *Develop and implement an annual IUP and submit it with the annual grant application, provided grant funds are authorized.*

Progress toward Goal 2:

The 2006 IUP was submitted in May of 2006. EPA awarded the 2006 Capitalization Grant (appropriation year FY 2006) to the SRF program on December 21, 2005 in the amount of \$5,243,500.

Short-Term Goal 3: *Have an audit every 3 years conducted in accordance with generally accepted government accounting standards.*

Progress toward Goal 3:

NDEP is on a 3-year audit schedule. Although the 2004 audit was expected to be completed by the winter of 2005, it appears that it won't be published until the fall of FY 2006.

Short-Term Goal 4: *Prepare and submit an annual report to EPA covering the accomplishments of the IUP.*

Progress toward Goal 4:

This annual report meets this goal. The 2006 Clean Water State Revolving Fund Performance Evaluation Report (PER) prepared by EPA indicated the need to enhance the annual report with thorough program documentation, project and financing discussions, including exhibits, charts and tables. This report includes more information and exhibits than previously reported. Three new attachments have been added. One is the table on environmental statements, another is the environmental benefits form and the last one includes a series of graphs that include a comparison of national and state program and financial indicators.

Short-Term Goal 5: *Provide loans to municipalities to assist them in providing adequate wastewater collection, treatment, and disposal facilities for their rapidly expanding population.*

Progress toward Goal 5:

Five projects were ready to construct in 2006 and received loans from the CWSRF:

- The City of Reno received a loan for \$8,122,272 for a new interceptor line.

Environmental Benefit: Many septic tanks near the Truckee River pose a potential public health and environmental threat to the area. The Lawton-Verdi interceptor is a septic-to-sewer project.

- Lyon County received a loan for \$15,980,733 for an expansion of rolling a waste water treatment plant and construction of effluent storage and reuse infrastructure.

Environmental Benefit: At present, Lyon County is one of the 20 fastest growing counties in the United States. The Rolling A plant must be expanded to meet the needs of explosive growth in the Dayton community. The facility is located near the Carson River and therefore, tertiary treatment is mandatory.

- The City of Sparks received a loan for \$5,862,359 for a Sparks Blvd reliever interceptor to serve Sun Valley, Spanish Springs and Sparks.

Environmental Benefit: Interceptor required to pick up additional flows to TMWRF. This project will prevent surcharging where raw sewage could come up out of manholes and create a public health hazard.

- The Incline Village General Improvement District received a loan for \$3,000,000 to effluent export line replacement segment 3 along HWY 28 from Spooner Meadow to the summit and a section near the Carson River.

Environmental Benefit: To effluent export line replacement segment 3 along HWY 28 from Spooner Meadow to the summit and a section near the Carson River.

- Douglas County Sewer Improvement District received a loan of \$2,000,000 for a Round Hill reservoir lining project and improve secondary clarifiers.

Environmental Benefit: Treated effluent is stored in an unlined reservoir directly above Lake Tahoe prior to piping to Douglas County for agricultural use. TRPA and the State of Nevada are concerned the reservoir is leaking and may impact Lake Tahoe. Douglas County has been directed by NDEP to line the reservoir.

Short-Term Goal 6: *The NDEP will encourage municipalities to use loans and other financial assistance from the CWSRF to construct projects that will improve and protect the quality of the waters of the state; including projects for the control of non-point sources of pollution.*

Progress toward Goal 6:

Twenty-seven (27) projects applied for and were included on the FY 2006 Project Priority List (Attachment 1) with a projected total cost of \$335,630,000.

The non-point source projects on the priority list were not ready for funding in FY 2006.

On a regular basis, staff continues to meet with an umbrella group called Infrastructure of Nevada Communities (INC), which consists of funding entities as well as recipient communities to discuss projects that may need financial assistance.

III. DETAILS OF ACCOMPLISHMENTS:

- Number of loans for fiscal year 2006: 5
 - Assistance amount: \$34,965,364
 - Assistance disbursed: 52
 - Principal repayments: \$3,275,000
 - Interest payments: \$4,909,266
 - Weighed average interest rates: 2.847%
 - Interest earnings and investments: \$1,083,322
 - Interest paid on leveraged \$4,909,266
 - Match bonds: \$0.00
 - Loan repayments: \$7,368,960
 - Interest payments received: \$4,850,350
 - Administrative expenses from CWSRF: \$ 286,407
 - Loan Servicing Fees \$ 25,000
- The following table shows the performance of the Nevada CWSRF over the past three state fiscal years as compared with national 2008 targets.

Financial Indicators	Nevada Averages			2008 National Targets
	SFY03	SFY04	SFY05	
Federal Return on Investment (cumulative)	\$1.84	\$2.00	\$2.18	\$2.37
CWSRF Assistance as a % of Funds Available	88%	86%	90%	94%
Disbursements as a % of Executed Loans	87%	70%	100%	--

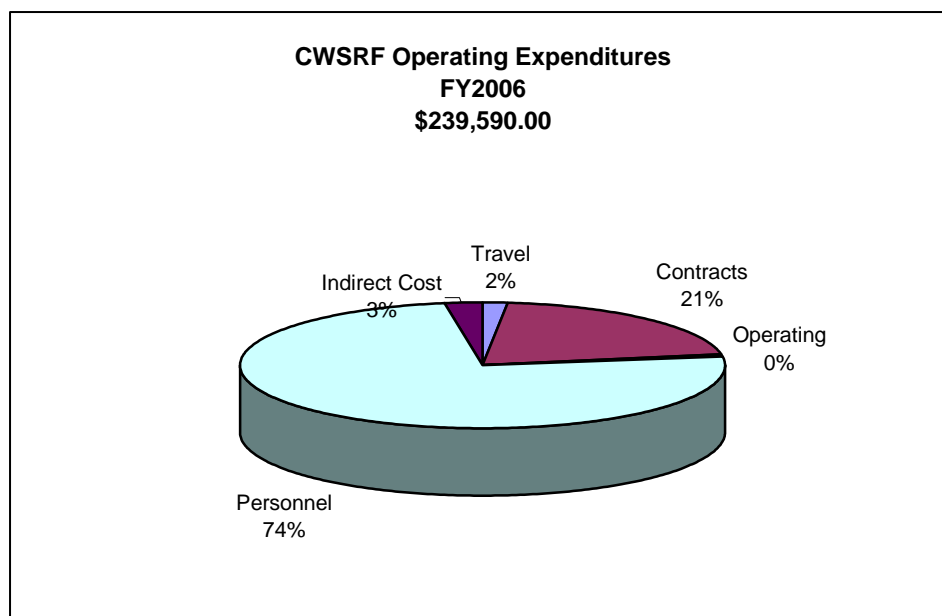
Nevada's federal return on investment (cumulative) continues to rise and more closer to the 2008 national target of 237% indicating that the pace of loans and their disbursements continues to increase. Coupled with disbursements as a % of loans demonstrate that funds are not sitting in the CWSRF, but are being put to their intended use in a timely fashion helping the program achieve its intended objectives.

The major focus of Nevada's program has always been to move the money out as expeditiously as possible and to bring projects to conclusion as quickly as possible. However, our control of the pace and timing of loans is limited. Nevada has a small pool of borrowers. The major entities in the state include Clark County in the south and Washoe County in the north. Because the growth rate in the south is so high and the size of the projects so large, the City of Henderson alone could take all the money available in the CWSRF, leaving no funds for other borrowers. Because we cannot totally fund them, they choose to borrow in the private markets. The incredibly high growth rate in effect, subsidizes the difference between the SRF rate and the market rate. This leaves the fund with approximately 4 or 5 regular borrowers in the north. With such a small pool of borrowers, it is not inconceivable that in any one year, there may be only one loan (possibly no loans). The indicators in any one-year then will reflect the readiness of the northern borrowers to take the money and construct.

While we feel indicators can be of value in assessing program performance, we feel that they are of much greater value when viewed over a longer period than a year. We believe performance over several years gives a more accurate picture of performance for a small State like Nevada. In any case, Nevada always tries to keep the pace high and to loan the money as quickly as projects are ready.

IV. FINANCIAL SUMMARY:

- The 2004 Financial Audit was completed in the winter of 2006 and is included in this report. Currently the CWSRF is considering the possibility of going for an RFP that would secure audit services for conducting audits that would include 2 years of financial statements.
- **SINGLE AUDIT** – Kafoury & Armstrong have submitted no schedule for a Single Audit Act audit for 2005 or 2006. The last audit done in 2002 had no material findings resulting in the program being placed on a 3-year schedule. At this time it is not known when the 2006 audit will be conducted.
- The CWSRF program sets aside a portion of each Capitalization Grant received by EPA for the administration expenses of the program including personnel costs, travel, operating, contracts and indirect costs. In FY 2006, a total of \$239,590 was spent on the administration of the program. The following chart shows the percentage spent on each category of administration costs:



- The CWSRF program issued a state match bond (2005 G Series) in the amount of \$1,953,746.21 on September 14, 2005. This match bond provided the required 20% match to two grants: CS320001-2005 and CS320001-2006, there was no need to issue a match bond in FY 2006.
- In FY 2006 the CWSRF implemented a loan origination fee for all loans beginning in March 01, 2006. Because of federal cut backs in federal programs, it was necessary to implement loan processing fees to make up for the loss of federal funds.

V. COMPLIANCE WITH FEDERAL REQUIREMENTS:

- All municipalities in Nevada are audited annually. Copies of the loan recipients' audits are reviewed each year and kept in an audit file.
- Based on an auditor's finding, the City of Sparks received an additional \$364,158 beyond their total project expenditures for project CS32-0101. For federal grants, federal law requires that reimbursements must equal expenditures. The auditor found that the City of Sparks was overpaid by the above referenced amount. The unspent funds were transferred to another Sparks project that is also using federal funds.
- The loan contract requires the loan recipient to comply with Federal "crosscutters" as well as other State and Federal requirements.
- There has been no evidence that loan recipients have failed to comply with any of the Federal crosscutters, where applicable, nor any other applicable Federal or State statute or regulation.
- CWA Section 602(b)(3) requires that the state must enter into binding commitments in an amount equal to 120% of each capitalization grant payment within 1 year of the date payment was made.
- At the end of FY 2006, the required cumulative binding loan commitments equaled $120\% \times \$113,973,100$ or \$136,767,720. Nevada well exceeded this requirement by the end of FY 2006 with the cumulative binding loan commitments equal to \$291,008,910 (212%), resulting in an overmatch of 92%.
- MBE/WBE reports were submitted for the fourth quarter of State FY 2006. The only MBE/WBE use of federal funds (administrative portion) reported was to Bonanza Travel in the amount of \$420.37.
- The contract with the University of Nevada Reno, Small Business Development Center (SBDC) expired on June 30, 2006. The Office of Financial Assistance will no longer maintain a contract for MBE/WBE outreach.
- The Bureau is in the process of negotiating the fair share for MBE/WBE/DBE with the EPA MBE/WBE coordinator.
- Given the questions raised regarding MBE/WBE analysis is in the process of addressing questions raised by EPA head quarters regarding methodology used in reaching the final MBE/WBE/DBE figures in the availability analysis itself. The Bureau of Administrative Services has submitted an interim availability analysis that will establish the basis for current fair share negotiations. Because of the Ad hoc nature of the availability analysis, the bureau does not stand by the numbers that the study gave rise to. The bureau still feels that the original numbers produced under contract by the CWSRF is more accurate.

1. **Defaults on loan payments** – There have been no defaults on loans and all loan payments have been received on time.

VI. CERTIFICATIONS:

I hereby certify to the following:

- 1) Grant payments have been accepted and expended in accordance with state law.
- 2) The Nevada Bureau of Administrative Services has administered the CWSRF in accordance with federal laws and regulations and to the best of my knowledge loan recipients have complied with the federal "crosscutters".

Morris Kanowitz
SRF Program Manager
Nevada Bureau of Administrative Services

Attachment 1

FY2006 Project Priority List

Attachment 2

FY2006 Priority List
PROJECTS NOT FUNDED

**FY2006 Priority List
Projects Not Funded**

Loan Recipient	Project Description	Reason For Not Funding	Permit #
Washoe County CS32-0401	Spanish Springs WWTF	Not ready to proceed	
Washoe County CS32-0102	Spanish Springs Septic to Sewer	Not ready to proceed	No Permit
Humboldt County CS32-0105	Collection System & Treatment Plant- Grass Valley	Project on hold indefinitely	No Permit
City of Mesquite CS32-0601	Expansion WWTP	Not ready to proceed	NEV40011
Lyon County CS32-0602	South Dayton WWTP effluent storage and solids handling upgrade	Not ready to proceed	NEV10017
Clark County Water Reclamation District CS32-0603	Searchlight WWTP new treatment plant and upgrade existing lift station	Not ready to proceed	NEV40038
Clark County Water Reclamation District CS32-0604	Moapa Valley new WWTP	Not ready to proceed	
City of Mesquite CS32-0605	New treatment plant	Not ready to proceed	NEV40011
Gerlach General CS32-0606	Pond lining	Not ready to proceed	NEV20010
City of North Las Vegas CS32-0504	Construct new water reclamation facility	Not ready to proceed	
City of Reno CS32-0707	Sewer line rehabilitation project: North Virginia Street	Not ready to proceed	

Loan Recipient	Project Description	Reason For Not Funding	Permit #
City of Reno CS32-0203	Effluent reuse distribution system	Not ready to proceed	NV0020150
Douglas County SID #1 CS32-0607	New force main	Not ready to proceed	NEV80033
Clark County Water Reclamation District CS32-0608	Indian Springs new WWTP	Not ready to proceed	NEV50040
City of Reno CS32-0410	Connect ISDS to community sewer	Not ready to proceed	NONE
City of Sparks CS32-0609	Spanish Springs Reliever Interceptor	Ready for construction in FY2007	NV0020150
Washoe County CS32-0610	Lawton-Verdi Interceptor	Not ready to proceed	NV0020150
Washoe County CS32-0111	Pleasant Valley Interceptor	Not ready to proceed	NEV40024
Lyon County CS32-0611	Mound House new WWTP	Not ready to proceed	NONE
Washoe County CS32-0411	Verdi septic-to-sewer	Not ready to proceed	NV0020150
Washoe County CS32-0208	Spanish Springs Storm water control (flood control channels)	Ready for construction in FY2007	NONE
City of Sparks CS32-0412	Storm Drain Improvements	Not ready to proceed	NONE
Washoe County CS32-0413	Huffaker Hills Reservoir relining	Not ready to proceed	NEV40024

Attachment 3

Status of CWSRF Projects

Status of CWSRF Projects

Loan Recipient	Loan Closing	Initiation of Operation
City of Henderson C32-1001 Phase III Phase IV Phase V Phase VI RIBs	10/24/91 - - - - -	 09/04/91 11/11/91 03/29/93 02/06/91 03/29/93
City of Winnemucca C32-1002	12/10/91	05/01/91
City of Elko C32-1003	12/02/91	06/29/92
City of Mesquite C32-1004	09/27/91	06/10/91
City of Yerington C32-1005	10/29/92	06/10/93
Incline Village GID C32-1006	10/29/92	07/03/93
City of West Wendover C32-1008	10/27/92	08/01/93
City of Henderson C32-1010, 1018, 1024	10/29/92	11/01/94
Fernley Utilities C32-1012	10/28/92	09/01/94
City of Elko C32-1013 1st Contract 2nd Contract	06/21/94	 05/04/95 06/26/95
Elko County Jackpot C32-1014	06/09/94	09/15/94
Carson City C32-1016 1st Contract 2nd Contract	06/27/94	 12/16/94 01/10/97
City of Sparks C32-1009	05/15/96	08/22/97
City of Mesquite C32-1022	10/27/95	07/21/97
Carson City C32-1011	08/17/95	07/25/97
Washoe County	08/12/97	07/29/98

Loan Recipient	Loan Closing	Initiation of Operation
C32-9701		
Washoe County C32-9702	03/26/98	12/10/02
Silver Springs C32-9801	07/26/00	03/21/01
Carson City C32-9802	08/14/99	10/10/00
Lovelock C32-9804	08/14/99	10/17/99
City of Elko C32-9905	08/14/99	11/99
Indian Hill GID C32-9903	09/01/99	12/05/00
Fallon C32-0001	12/15/99	11/02/00
Sparks (3) C32-9902	03/02/00	02/01
WC STM Solids Handling C32-9904	06/30/00	06/30/01
WC Horizon Hills C32-9906	06/30/00	06/30/01
Battle Mountain CS32-0104	01/02/01	08/01/02
WC STMWRF CS32-0108	01/24/01	08/14/03
Sparks CS32-0110	09/10/01	05/01/03
Sparks CS32-0101	06/27/02	07/01/03
IVGID CS32-0204	10/09/02	05/01/04
Sparks CS32-0303	10/28/03	03/31/06
City of Reno CS32-0405	04/06/04	02/06/06
WC Cold Springs CS32-0107	06/11/04	09/29/05
City of Reno CS32-0407	07/13/04	02/06/06

Loan Recipient	Loan Closing	Initiation of Operation
City of Reno CS32-0403	08/25/04	07/05/06
City of Sparks CS32-0409	04/19/05	11/30/05
City of Reno CS32-0112	07/27/05	Open
Lyon County CS32-0503	08/19/05	Open
City of Sparks CS32-0408	09/28/05	Open
Incline Village GID CS32-0404	03/29/06	Open
Douglas County SID	05/29/06	Open

Attachment 4

Sources of Project Funds

Sources of Project Funds

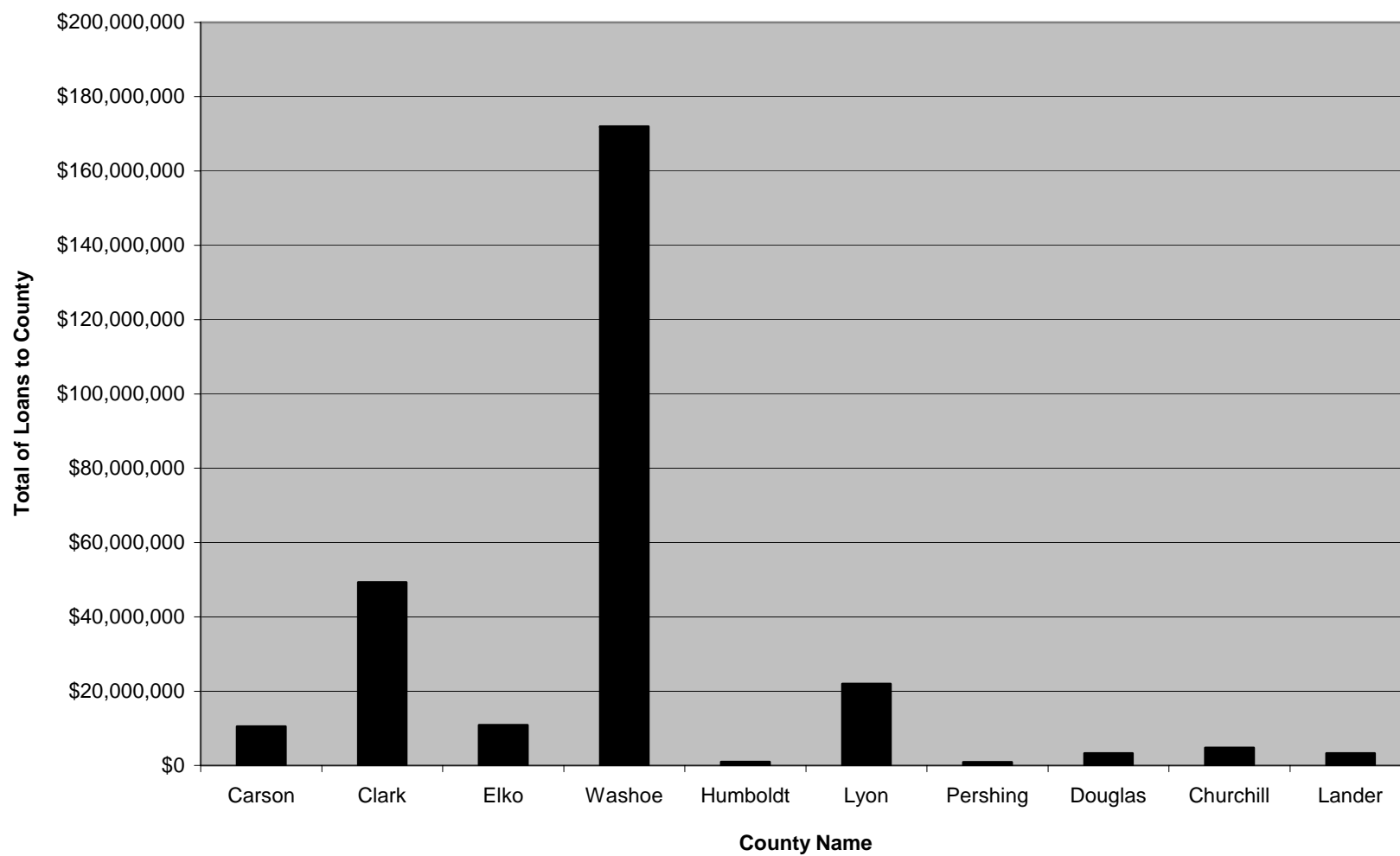
Project Name	Loan Number	Needs Category	Assistance Amount	Federal Share	State match Bonds	Reloan Funds	Leveraged bond
City of Henderson	C32-1001	II	7,221,110	6,017,592	1,203,518		
City of Winnemucca*	C32-1002	I	1,000,000	833,333	166,667		
City of Elko	C32-1003	I	1,000,000	833,333	166,667		
City of Mesquite*	C32-1004	I	1,280,000	1,066,667	213,333		
City of Yerington	C32-1005	I	1,325,313	1,104,428	220,885		
Incline Village GID	C32-1006	I	3,925,398	3,271,165	654,233		
City of West Wendover	C32-1008	I	2,500,000	2,083,333	416,667		
City of Henderson	C32-1010	I	12,300,000	10,250,000	2,050,000		
Fernley Town Utilities	C32-1012	IIIB	2,000,000	1,666,667	333,333		
City of Henderson	C32-1018	I	12,410,431	10,342,026	2,068,405		
City of Carson City	C32-1016	IVA	2,400,000	2,000,000	400,000		
City of Elko	C32-1013	I	2,500,000	2,083,333	416,667		
Elko County-Jackpot	C32-1014	I	900,000	750,000	150,000		
City of Sparks	C32-1009	II	6,814,488	3,474,100	694,820		2,645,568
City of Carson City	C32-1011	II	2,120,000	1,766,667	353,333		
City of Sparks	C32-1017	IVB	4,700,000	3,916,667	783,333		
City of Mesquite	C32-1022	I	6,600,000	124,206	24,841	6,450,953	
City of Henderson*	C32-1024	I	9,504,950				9,504,950
Washoe County	C32-9701	IIIB, IVA	1,249,137	395,501	79,101	774,535	
Washoe County	C32-9702	VI	5,957,456	3,629,030	755,806	695,937	906,683
Silver Springs	C32-9801	IVA	3,000,000			3,000,000	

Project Name	Loan Number	Needs Category	Assistance Amount	Federal Share	State match Bonds	Reloan Funds	Leveraged bond
Carson City	C32-9802	I, IV	6,000,582	2,595,932	519,186	2,885,464	
Lovelock	C32-9804	I, IV	876,611			876,611	
City of Elko	C32-9905	I	4,000,000	3,333,333	666,667		
Indian Hills GID	C32-9903	I	1,300,000	955,960	191,192	152,848	
Fallon	C32-0001	I	4,750,000	3,958,333	791,667		
Sparks (3)	C32-9902	II	3,070,670	1,444,344	288,869	1,337,458	
Washoe County STM	C32-9904	I	899,228			899,228	
Washoe County Horizon Hills	C32-9906	IIIA, IIIB	178,316			178,316	
Battle Mountain	CS32-0104	II	3,252,846	2,710,703	542,143		
W.C. STMWRF	CS32-0108	I	21,000,000			1,389,600	19,601,400
Sparks	CS32-0110	IVB	7,038,807	5,865,670	1,173,137		
Sparks	CS32-0101	II	3,082,359	2,568,632	513,729		
IVGID	CS32-0204	I	2,130,000	1,775,000	355,000		
Sparks	CS32-0303	II	9,000,000	2,464,549	492,910		6,042,541
City of Reno	CS32-0405	IIIB	46,523,205			4,209,247	42,313,958
Washoe County Cold Springs	CS32-0107	IIIB	3,000,000	2,500,000	500,000		
Reno-Stead	CS32-0403	I	15,690,010	7,164,834	1,432,967		7,092,209
Reno Rehab Project	CS32-0407	IVA	12,610,785				12,610,785
Sparks Vista-Prater	CS32-0409	IVB	4,209,247				4,209,247
City of Reno	CS32-0112	IVB	8,122,272	6,768,560	1,353,712		
Lyon County	CS32-0503	IIIB	15,980,733	5,732,735	1,146,547	8,047,682	1,053,769
City of Sparks	CS32-0408	IVB	5,862,359	4,885,299	977,060		

Project Name	Loan Number	Needs Category	Assistance Amount	Federal Share	State match Bonds	Reloan Funds	Leveraged bond
Incline Village GID	CS32-0404	IVA	3,000,000			3,000,000	
Douglas County SID	CS32-0502	IIIB	2,000,000			2,000,000	
TOTALS			274,286,313	110,331,932	22,096,395	35,897,879	105,981,110

Attachment 5
Committed Loan Funds by County
FY1992 thru FY2006

Committed Loan Funds by County FY92 Thru FY06



Attachment 6
CWSRF BORROWER SAVINGS
FY1992 – FY2006

Attachment 7

FY2006 FINANCIAL STATEMENTS

State of Nevada
Clean Water State Revolving Fund
Statement of Net Assets
As of June 30, 2006

	<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current assets:			
Cash and cash equivalents		42,025,615	68,567,416
Loan interest receivable		3,162,307	2,107,875
Due from EPA		25,691	35,565
Investment interest receivable		449,759	180,667
Loans receivable-current portion		8,688,952	6,970,289
Cost of Issuance refund receivable		100	
Total current assets		54,352,425	77,861,812
Loans receivable-long term portion		187,805,766	139,826,493
Unamortized cost of bond issuance		302,289	283,622
Total Assets		<u>\$242,460,480</u>	<u>\$217,971,927</u>
	<u>Liabilities</u>		
Current liabilities:			
Due to other funds		30,416	42,679
Construction Costs Payable		1,415,970	
Bond interest payable		2,036,646	2,062,212
Bonds payable-current obligations		5,920,000	3,275,000
Total current liabilities		9,403,032	5,379,891
Long term liabilities:			
Bonds payable		99,912,470	103,880,751
Total Liabilities		<u>109,315,502</u>	<u>109,260,642</u>
	<u>Net Assets</u>		
Restricted for revolving loans		132,796,373	108,382,221
Unrestricted		348,605	329,064
Total net assets		133,144,978	108,711,285
Total liabilities and net assets		<u>\$242,460,480</u>	<u>\$217,971,927</u>

The accompanying notes are an integral part of the financial statements.

State of Nevada
Clean Water State Revolving Fund
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2006

	<u>2006</u>	<u>2005</u>
Revenues:		
Loan interest revenue	5,848,599	4,350,795
Investment revenue	2,035,184	1,885,677
Loan Servicing Revenue	25,000	
Net (decrease) in fair market value of investments	(34,349)	57,979
EPA contributed revenue	<u>242,878</u>	<u>291,763</u>
Total Revenues	8,117,312	6,586,214
Expenses:		
Bond interest	4,826,557	4,935,653
Amortization of bond issuance costs	28,840	25,217
<u>Administrative costs:</u>		
Salaries & benefits	179,173	216,326
Operating costs	67,247	64,210
Indirect costs	<u>44,793</u>	<u>69,592</u>
Total Expenses	5,146,611	5,310,998
Operating Income	2,970,701	1,275,216
Non-operating income:		
EPA contributions	21,462,993	3,737,935
Change in Net Assets	24,433,694	5,013,151
Net assets, beginning of year	<u>108,711,284</u>	<u>103,698,133</u>
Net assets, end of year	<u><u>\$ 133,144,979</u></u>	<u><u>\$ 108,711,284</u></u>

The accompanying notes are an integral part of the financial statements.

*State of Nevada
Clean Water State Revolving Fund
Statement of Cash Flows
For the Year Ended June 30, 2006*

Cash flows from operating activities:	<u>2006</u>	<u>2005</u>
Loan Servicing	25,000.00	
Treasurer's interest distribution	1,766,092.56	1,825,053.00
Interest received from borrowers	4,794,165.81	4,182,137.00
Principal received from borrowers	7,231,974.44	6,956,845.00
Transfer for administrative costs	(303,476.81)	(357,494.00)
EPA grant for administrative costs	252,751.78	297,900.00
Loan Disbursements	<u>(55,513,941.00)</u>	<u>(32,512,179.00)</u>
	(41,747,433.22)	(19,607,738.00)
Cash flows from noncapital financing activities:		
Grants from EPA	21,462,993.00	3,737,935.00
Bond Proceeds	1,961,253.80	
Bond principal redemption	(3,275,000.00)	(3,215,000.00)
Bond interest payments	<u>(4,909,265.57)</u>	<u>(5,034,259.00)</u>
Net cash provided by noncapital financing activities:	15,239,981.23	(4,514,624.00)
Net increase in cash	(26,507,451.99)	(24,122,362.00)
Cash and cash equivalents July 1, 2005	<u>68,567,416.00</u>	<u>92,631,798.00</u>
Cash and cash equivalents June 30, 2006	<u><u>42,025,615.48</u></u>	<u><u>68,567,416.00</u></u>
Reconciliation of operating income to net cash provided by operating activities		
Operating Income (loss)	2,970,701.48	(846,206.00)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of cost of issuance	28,940.67	25,217.00
Interest on bonds	4,826,557.06	7,057,075.00
Change in assets and liabilities:		
(Increase) in loan interest receivable	(1,054,432.72)	(168,658.00)
(Increase) in investment interest receivable	(269,091.63)	(60,624.00)
Decrease in fair market value of investments	34,348.71	(57,979.00)
Decrease in federal grant receivable	9,873.55	6,137.00
(Increase) in refunds receivable	(100.38)	
(Increase) in loans receivable	(49,697,936.56)	(25,555,334.00)
Increase (decrease) in construction costs payable	1,415,970.00	
Increase (decrease) in obligations to other funds	(12,263.40)	(7,366.00)
Total adjustments	(44,718,134.70)	(18,761,532.00)
Net cash provided (used) by operating activities	(41,747,433.22)	(19,607,738.00)

The accompanying notes are an integral part of the financial statements.

NEVADA STATE DIVISION OF ENVIRONMENTAL PROTECTION
Clean Water State Revolving Fund
Notes to Financial Statements
June 30, 2006

1. Organization of the Fund

The Nevada Water Pollution Control Revolving Fund Program (the Program) was established pursuant to Title VI of the Federal Water Quality Act of 1987, the Clean Water Act (CWA), and the Nevada Revised Statutes 445A.060. The purpose of the State Revolving Fund (SRF) is to provide low interest loans to local governments for constructing wastewater treatment facilities and non-point source projects. The loan repayment period is normally twenty years, and all repayments, including interest and principal, must be credited to the SRF.

The Program has been capitalized by a series of grants from the U.S. Environmental Protection Agency (EPA) since 1989. The State is required to provide an additional 20 percent of the Federal capitalization grant amount as matching funds in order to receive the grant from EPA. As of June 30, 2006, EPA awarded \$113,973,100 in capitalization grants to the State, and the State is required to provide \$22,794,620 to the Program as its matching share. The state match is provided by state bonds issued on behalf of the Program by the State Treasurer's Office.

The SRF Program is administered by the State of Nevada's Division of Environmental Protection (NDEP). The Program has developed policies and procedures to meet the objectives of the State and Federal Acts and to properly manage and coordinate activities. The Division determines the level of funding to be contributed to the loan fund and used for loans. The Division's primary responsibilities for the SRF include obtaining capitalization grants from EPA, soliciting potential interested parties for loans, negotiating loan agreements with local communities, reviewing and approving payment requests from loan recipients, monitoring the loan repayments and conducting inspection and engineering reviews to ensure compliance with all applicable laws, regulations, and program requirements.

The Division has two full-time, and numerous part-time employees to work on Clean Water Program activities. The allocated portion of salaries and benefits of employees for time spent working on Program activities, as well as indirect costs based on payroll costs, are charged to the Program. NDEP staff charges the Program for time spent on SRF activities, and the Program reimburses NDEP for such costs in the following month. The charges include the salaries and benefits of the employees, as well as indirect costs allocated to the Program. Employees charging time to the Program are covered by the benefits available to Nevada State Employees.

The Program financial statements, footnotes, and related schedules are presented for the U.S. Environmental Protection Agency. The Program's account balances and activities are included in Nevada's Comprehensive Annual Financial Report (CAFR) as part of the Water Projects Loan Fund, a major enterprise fund which uses the accrual basis of accounting. Because the Program is blended with other water pollution control programs, its assets, liabilities, equity and activities are not identifiable in Nevada's CAFR. Also, because of the different reporting methods, there may be differences between the amounts reported in these financial statements and Nevada's CAFR.

2. Summary of Significant Accounting Policies

Basis of Accounting

The program presents its financial statements as an enterprise fund. This method follows the accrual method of accounting, whereby revenues are recorded as earned and expenses are recorded when the liability is incurred. All assets and liabilities associated with the operations of the Program are included in the balance sheet. An enterprise fund is used since the Program's operations are similar to a financing institution where net income and capital maintenance are appropriate determinations of accountability that provide information to the EPA in evaluating whether the Program is operating within the requirements of the Clean Water Act. In preparing the Program's financial statements, Nevada follows the accounting pronouncements of the *Governmental Accounting Standards Board* (GASB), as well as statements issued by the *Financial Accounting Standards Board* (FASB) before November 30, 1989, unless FASB pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

The Nevada State Treasurer is an elected Constitutional Officer and part of the Executive Branch of the State government. The Treasurer is responsible for the handling of all State cash as a fiscal agent for the owning fund as discussed in Note 3. The Treasurer manages an investment pool where all temporary surplus cash is invested. The investment pool has the same general characteristics as demand deposit accounts. Invested funds are considered to be cash equivalents. Management of the Program does not have control over the investment of excess cash, and the statement of cash flows considers all funds deposited with the Treasurer to be cash and cash equivalents, regardless of actual maturities of the underlying investments. Deposits with the Treasurer are accounted for on the balance sheet as cash and cash equivalents, and are adjusted at year end for any increase or decrease in fair market value. Investment interest earnings on these deposits are received by the Program on a quarterly basis.

Loans Receivable

Nevada operates the Program as a direct loan program, whereby the loans made to waste water treatment facilities are funded by the Federal capitalization grants, State match bond proceeds, revolving funds that have been repaid to the Program, investment earnings and from leveraged bond proceeds. The Program's loans are evidenced by a formal loan contract between the Division and the borrower. Loan funds are disbursed to borrowers after they incur costs for the purposes of the loan, request reimbursement from the Program, and the Program receives the Federal share from EPA. Interest rates are based on the Bond Buyer Municipal Index, which is published on a weekly basis each Friday, and currently range from 2.76 to 4.0 percent over a term of 20 years. In determining the interest rate that is offered to a loan recipient, the rate of interest as published by the Bond Buyer Municipal Index on the Friday preceding the date of contract is multiplied by a percentage, which is currently 62.5%. Interest is accrued and payable during the construction period. After the final loan disbursement has been made, the loan and agreement amounts are adjusted for the actual amounts disbursed. No provision for doubtful accounts has been made as all loans are current, and management believes that all loans will be repaid according to the loan terms.

2. Summary of Significant Accounting Policies (continued)

Bonds Payable

The State issues water pollution control bonds to meet its state match obligation. The State has also issued leveraged bonds to accelerate financing certain projects beyond amounts made available by the Federal capitalization grants. Bond discounts, premiums and costs of issuing the bonds are amortized over the life of the bonds. All bonds are backed by the full faith and credit of the State of Nevada, for which the Program is primarily responsible for repayment.

Capitalization Grants

In accordance with GASB 34, funds received from the EPA for the capitalization of the Program are considered a voluntary non-exchange transaction and recognized as non-operating revenues when all grant conditions are met for each draw request.

3. Cash and Cash Equivalents

All monies in the Program are deposited with the State Treasurer's Office and are considered to be cash. The Treasurer is responsible for maintaining and investing the pooled cash balances in accordance with Nevada State laws. The Treasurer is required to maintain a mix of investments in order to allow funds to be withdrawn at any time to meet normal operating needs. The Program's share of the investment income is based on the average daily balance for the period and is credited to the Program quarterly. Details of the investments can be obtained from the State Treasurer's Office.

All cash and investments are stated at fair market value, adjusted at year-end. Investments held by the State Treasurer's Office are not categorized because they are not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Amount</u>	<u>Market Value</u>
Not subject to categorization:		
Consolidated Cash Pool	<u>\$ 42,346,940</u>	<u>\$ 42,312,592</u>

4. Loans Receivable

The Program makes loans to qualified entities for projects that meet the eligibility requirements of the Clean Water Act. Loans are financed by capitalization grants, state match, interest earnings, revolving funds, and leveraged funds. Interest rates on the loans are based on 62.5 percent of the Bond Buyers Index rate and vary between 2.76 and 4.0 percent. Loan maturities are 20 years. Semiannual payments are due on January 1st and July 1st. Interest during the construction period is calculated from the date funds are advanced until the final loan closing. The loan contract requires the communities to issue local bonds to secure the loan amount which the State has pledged as collateral for bonds payable.

The Program has issued loans for constructing wastewater treatment facilities and for non-point source projects. Three local agencies have been provided loans for refinancing in the amount of \$14,690,431, and the Program funded one non-point source loan for approximately \$6 million. There are eight loan contracts that were primarily funded by \$105 million of leveraged bond funds.

4. Loans Receivable (continued)

Details of loans receivable as of June 30, 2006:

	Authorized loan amounts	Amount disbursed	Principal paid	Balance
Completed Projects	\$189,158,604	\$189,158,604	\$49,789,476	\$139,369,128
Projects in progress	81,488,569	43,049,503	24,362,984	57,125,585
Totals	\$270,647,173	\$232,208,107	\$74,152,460	\$ 196,494,713
	Less: Amounts due within one year:			\$ 8,688,952
	Non-current loans receivable June 30, 2006:			\$ 187,785,761

Loans mature at various intervals through January 1, 2031. The scheduled principal repayments

for completely disbursed loans in subsequent years are as follows:

Year ending June 30:	<u>Amount</u>
2007	\$ 8,688,952
2008	11,374,072
2009	12,228,613
2010	13,116,301
2011	13,562,759
2012-2016	62,506,857
2017-2021	48,852,949
2022-2026	16,401,590
2027-2031	<u>9,742,620</u>
Total	\$196,494,713

Loans to Major Local Agencies:

As of June 30, 2006, the Program had made loans to seven local agencies whose contract amounts exceeded \$5 million and whose year-end principal balances in the aggregate exceeded \$150 million. The outstanding principal balances of these loans represent approximately 82 percent of the total loans receivable, as follows:

<u>Borrower</u>	<u>Original Loan Amount</u>	<u>Outstanding Balance</u>
City of Henderson	\$ 41,436,491	\$ 20,032,858
City of Sparks	36,676,889	31,441,736
Carson City	10,520,582	7,268,626
Washoe County	32,284,137	24,489,871
City of Mesquite	7,880,000	4,473,427
City of Reno	73,133,162	62,383,590
Lyon County	<u>15,980,733</u>	<u>10,379,570</u>
Total loans to major agencies:	217,911,994	160,469,681
Loans to all other agencies	<u>52,735,179</u>	<u>36,025,032</u>
Total loans receivable June 30, 2006	\$270,647,173	\$196,494,713

5. Bonds Payable

Bonds Payable - All Series (State Match, Leveraged and Refunded)

The State provides the required matching funds through state match bonds. As of June 30, 2006, \$26,490,000 in such bonds had been issued. As of June 30, 2006, \$4,810,541 in state match bond funds were available to match EPA draws. The State also issues leveraged bonds for financing selected projects that exceed the amount of available funding. As of June 30, 2006, \$113,175,000 in leveraged bonds had been issued, of which \$7,295,414 in obligated funds remained to be drawn. In May 2001, the State defeased \$3,170,000 of older state match bonds and \$8,875,000 of leveraged bonds in an advanced refunding to take advantage of lower interest rates. These bonds were refunded in the 2001A1 series issued for \$28,720,000. Proceeds of the new bond were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Program's financial statements. In accordance with generally accepted accounting principles, the deferred amount of \$409,765 on refunding is reported as a deferred charge and is amortized over the remaining life of the refunded debt. This amount is deducted from the outstanding balance of the 2001A1 bonds for financial statement presentation.

Details of bonds payable as of June 30, 2006 are as follows:

State Match Bonds:	<u>Balance</u>	<u>Current</u>	<u>Long-term</u>
Series July 1, 1998D , General Obligation Water Pollution Control Revolving Fund Matching Bonds, interest of 4.25% to 4.875% due semiannually, principal due annually to August 1, 2013.	1,900,000	220,000	1,680,000
Series September 1, 1999C , General Obligation Water Pollution Control Revolving Fund Match Bonds, interest of 5.25% to 5.3% due semiannually, principal due annually to August 1. 2012.	820,000	100,000	720,000
Series July 1, 2000C , General Obligation Water Pollution Control Revolving Fund Matching Bonds, interest of 5% to 5.25% due semiannually, principal due annually to August 1, 2011.	875,000	125,000	750,000
Series May 1, 2001 B , General Obligation (Limited Tax) Water Pollution Control Revolving Fund Matching and Refunding Bonds, interest of 4% to 4.7% due semiannually, principal due annually to August 1, 2013.	2,300,000	720,000	1,580,000
Series November 25, 2003G , General Obligation Water Pollution Control Revolving Fund Match Bonds, interest of 2.00% to 4.00% due semiannually, principal due annually to August 1. 2013.	2,190,000	245,000	1,945,000
Series September 14, 2005M , General Obligation (Limited Tax) Water Pollution Control Revolving Fund Matching Bonds, interest of 4% due semiannually, principal due annually to February 1, 2016	<u>1,960,000</u>	<u>140,000</u>	<u>1,820,000</u>
Total State match bonds payable:	10,045,000	1,550,000	8,495,000

5. Bonds Payable (continued)

Leveraged Bonds:	<u>Balance</u>	<u>Current</u>	<u>Long-term</u>
Series May 1, 1996B , General Obligation Water Pollution Control Revolving Fund Leveraged Bonds, interest of 3.75% to 5.15% due semi-annually principal due annually to August 1, 2016.	200,000	200,000	0
Series May 1, 2001A-1 , General Obligation (Limited Tax) Water Pollution Control Revolving Fund Leveraged and Refunding Bonds, interest of 4% to 5% due semi-annually, principal due annually to August 1, 2019.	25,080,000	1,380,000	23,700,000

Series May 1, 2001A-2, General
Obligation (Limited Tax) Water Pollution
Control Revolving Fund Leveraged
Bonds, interest of 6% to 6.5% due
semiannually, principal due annually to
August 1,2017.

5,830,000	340,000	5,490,000
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Series November 25, 2003H, General
Obligation (Limited Tax) Water Pollution
Control Revolving Fund Leveraged
Bonds, interest of 3.0% to 5.0% due
semiannually, principal due annually to
August 1,2023.

63,500,000	2,450,000	61,050,000
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Total Leveraged bonds payable	94,610,000	4,370,000	90,240,000
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Total State match and leveraged bonds	104,655,000	5,920,000	98,735,000
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Bond premiums and discounts	1,551,421		
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Total bonds payable	<u>\$104,246,421</u>	<u>\$5,920,000</u>	<u>\$98,326,421</u>
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The debt service requirements to maturity, excluding unamortized premium and discounts, are as follows:

	Principal	Interest	Total
2007	5,985,000	4,616,474	10,601,474
2008	5,995,000	4,332,489	10,327,489
2009	6,055,000	4,040,486	10,095,486
2010	6,275,000	3,795,751	10,070,751
2011	6,575,000	3,533,156	10,108,156
2012-2016	31,520,000	13,086,228	44,606,228
2017-2021	26,270,000	5,918,794	32,188,794
2022-2026	10,060,000	698,038	10,758,038
Totals	<u>\$ 98,735,000</u>	<u>\$40,021,415</u>	<u>\$138,756,415</u>

7. Interfund transfers

All administrative costs of the Program are initially paid by the Agency's General Fund accounts. EPA grants directly reimburse the General Fund accounts for 83.33% of the costs, and the remaining balance is paid from the SRF fund through quarterly interfund transfers. Amounts due to other funds represent administrative costs incurred by general fund accounts for Program expenditures which are payable at year end.

8. Contributed Capital and Fund Balance

The Program is capitalized by EPA grants authorized by the Clean Water Act. All EPA funds drawn for loans are recorded as non-operating revenues from EPA. The State of Nevada is responsible for matching 20 percent of the EPA capitalization grants and this obligation is met by issuing state match bonds, which are repaid from loan interest receipts (discussed under Note 5). As of June 30, 2006, EPA has awarded capitalization grants of \$113,973,100 to the State, of which \$108,385,431 has been drawn for loans and administrative expenses.

The following summarizes the EPA capitalization grants awarded, amounts drawn on each grant as of the balance sheet date, and balances available for future draws:

	GRANT AMOUNT	Cumulative Draws as of JUNE 30, 2005	2006 <u>Draws</u>	Cumulative Draws as of JUNE 30, 2006	Grant Funds Available JUNE 30, 2006
1989	4,577,200	4,577,200		4,577,200	0
1990	4,738,000	4,738,000		4,738,000	0
1991	10,074,800	10,074,800		10,074,800	0
1992	9,534,900	9,534,900		9,534,900	0
1993	9,431,000	9,431,000		9,431,000	0
1994	5,813,800	5,813,800		5,813,800	0
1995	6,007,800	6,007,800		6,007,800	0
1996	9,904,700	9,904,700		9,904,700	0
1997	2,990,500	2,906,350	84,150	2,990,500	0
1998	6,577,300	6,577,300		6,577,300	0
1999	6,577,900	6,577,900		6,577,900	0
2000	6,555,200	5,535,698	934,031	6,469,728	85,471
2001	6,496,100	4,790,265	66,901	4,857,166	1,008,292
2003	6,510,800	235,541	6,058,232	6,293,773	217,027
2004	6,467,800	0	6,087,345	6,087,345	380,455
2005	6,471,800	0	5,732,735	5,732,735	739,065
2006	5,243,500	0	2,716,785	2,716,785	2,343,297
Totals	\$113,973,100	\$86,705,252	21,680,180	108,385,431	\$4,773,608

Contingencies

The Program is exposed to various risks of loss related to torts, thefts of assets, errors or omissions, injuries to state employees while performing Program business, or acts of God. The State maintains insurance for all risks of loss that is included in the indirect costs allocated to the Program. There have not been any claims against the Program since its inception in 1989.

Related Parties

There are no related party transactions with or related to amounts receivable from management of the Nevada State Division of Environmental Protection Water Pollution Control Revolving Fund Program.

Subsequent Events

The Nevada Division of Environmental Protection was awarded an additional EPA Federal Grant of \$4,242,300 on August 8, 2006.

Attachment 8

ENVIRONMENTAL NARRATIVE

Attachment 9

ENVIRONMENTAL BENEFITS FORM

Attachment 10

PROGRAM INDICATORS